

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 4
(MC2014-38)
Negotiated Service Agreements

Docket No.
CP2014-67

PUBLIC REPRESENTATIVE COMMENTS CONCERNING
MODIFICATION TWO TO GLOBAL RESELLER EXPEDITED PACKAGE
CONTRACTS 4 NEGOTIATED SERVICE AGREEMENT

(January 21, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 3028.¹ In that Order, the Commission reopened the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing Modification Two to Global Reseller Expedited Package (GREP) Contracts 4 negotiated service agreement (Modification Two).²

A redacted version of the modification is Included in Attachment 1 to the Notice. The Postal Service also filed (under seal) the unredacted Modification Two.

II. BACKGROUND

In Order No. 2170, the Commission approved the Global Reseller Expedited Package Contracts 4 negotiated service agreement (Agreement).³ On October 8, 2014

¹ Notice and Order Concerning Modification Two to Global Reseller Expedited Package Service 4 Negotiated Service Agreement, January 14, 2016 (Order No. 3028).

² Notice of the United States Postal Service of Filing Modification Two to Global Reseller Expedited Package Contracts 4 Negotiated Service Agreement, January 13, 2016 (Notice).

³ Docket Nos. MC2014-38 and CP2014-67, Order Adding Global Reseller Expedited Package Contracts 4 to the Competitive Product List and Approval of Designation as Baseline Agreement, August 25, 2014 (Order No. 2170). See *also* Docket Nos. MC2014-38 and CP2014-67, Request of the United States

the Postal Service filed the notice that it had agreed to the modification to the Agreement (Modification One).⁴ In Order No. 2222 the Commission approved the Modification One, indicating that the Agreement, as modified, should “expire on February 5, 2020 unless, among other things, either party terminates the contract...or it is further modified by mutual agreement.”⁵

Agreements within the GREP Contracts 4 product offer discounted prices for Priority Mail Express International (PMEI), Priority Mail International (PMI), and/or First-Class Package international Service and Priority Mail International Regional Rate Boxes (PMI RRB) service to a Sales Agent (also known as a Reseller) who markets the above listed services to its customers. Request at 6. To qualify for a GREP agreement, a reseller must be capable of tendering at least 5,000 pieces of international mail, or paying at least \$100,000 in international postage, to the Postal Service. *Id.*, Attachment 2B.

The Modification Two revises Article 11 of the agreement, as well as the articles of the agreement that concern postage payment, to allow postage payment through the Electronic Verification System (eVS®). The modification is intended to go into effect on February 1, 2016. Notice at 1.

III. COMMENTS

The Public Representative has reviewed the Postal Service’s Notice, the documentation included with the original Agreement, as well as Modification One and Modification Two. Since the Postal Service has not filed any updated financial worksheets with the Modification Two, the Public Representative reviewed the financial documentation provided (under seal) with the Modification One, as well as the relevant

Postal Service to Add Global Reseller Expedited Package Contracts 4 to the Competitive Products List and Notice of Filing a Global Reseller Expedited Package 4 Negotiated Service Agreements, August 8, 2014 (Request).

⁴ Notice of the United States Postal Service of Filing Modification to Global Reseller Expedited Package Contracts 4 Negotiated Service Agreement, October 8, 2014 (Notice of Modification One).

⁵ Order Approving Modification to Global Reseller Expedited Package Contracts 4 Negotiated Service Agreement, October 22, 2014 at 4 (Order No. 2222).

cost, volume and revenue information filed in the FY 2014 and FY 2015 Annual Compliance Reports (ACR). Based upon that review, the Public Representative concludes that the GREP Contracts 4 agreement, if modified, should continue to generate sufficient revenues to cover costs.

Requirements of 39 U.S.C. § 3633. 39 U.S.C. § 3633 requires that prices for competitive products must cover each product's attributable costs, not result in the subsidization of competitive products by market dominant products, and enable competitive products as a whole to contribute an appropriate share to the institutional costs of the Postal Service. In addition, the Commission requires that each contract included within a GREP product must cover its attributable costs.⁶

Based upon the review of the Modification Two and the financial workpapers filed with the Modification One, the Public Representative concludes that the proposed modification should not materially affect the cost coverage of the existing agreement. In the ACD 2014, the Commission found that GREP Contract 4 product generated sufficient revenue that exceeded attributable costs and satisfied 39 U.S.C. § 3633(a)(2).⁷ The analysis of the FY 2015 ACR financial workpapers show that in FY 2015, the existing GREP Contracts 4 agreement generated sufficient revenue to cover costs. Consequently, the Public Representative concludes that the Modification Two should allow the GREPS Contract 4 product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1).

IV. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

⁶ Section 2510.7.1(d) of the Mail Classification Schedule, posted June 4, 2015, with revisions through: November 2, 2015.

⁷ Docket No. ACR 2014, Annual Compliance Determination Report, March 27, 2015 at 77-78 (ACD 2014).

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